



Petroleum Market Report

July 17, 2000

Energy Information Administration
Office of Oil & Gas

MARKET SUMMARY

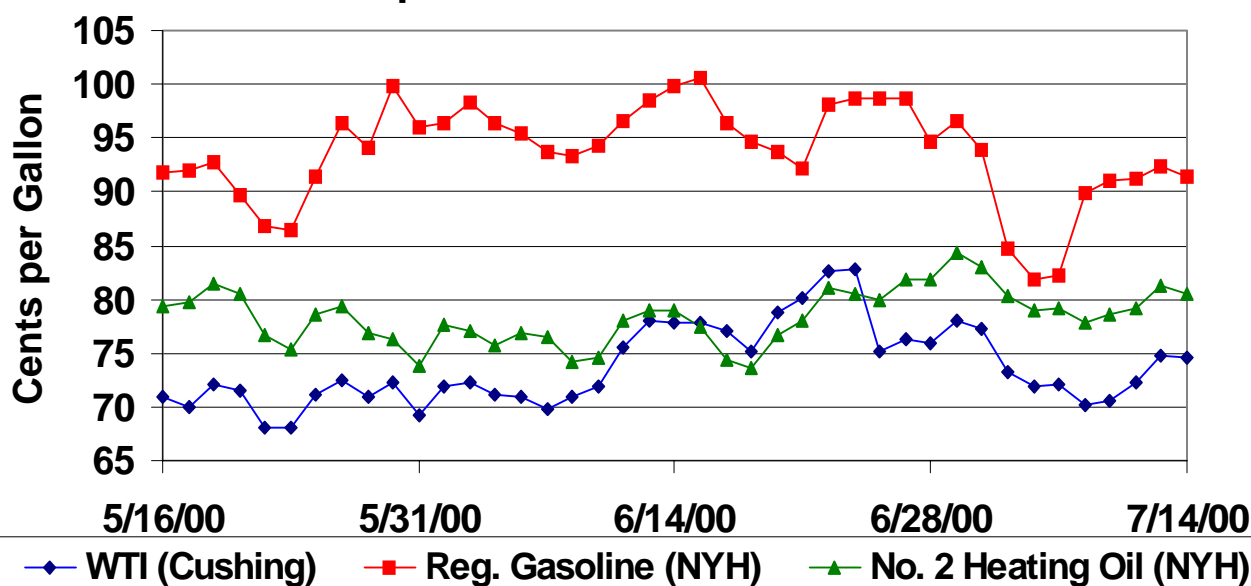
U.S. crude oil and petroleum product prices rose solidly last week, led by gasoline, as an increase in crude oil production proposed the previous week by Saudi Arabia failed to materialize. Developments throughout the week regarding the proposed increase, including a meeting between the Saudi Arabian and Venezuelan oil ministers, kept traders guessing at the likelihood of loosening supply. After easing on Monday, prices gained steadily through Thursday, before pre-weekend profit-taking pulled prices slightly lower on Friday. Crude and product stockbuilds, an IEA report, and announcement of a government heating oil reserve were also factors in market movements during the week.

Crude oil - prices began the week in a continuation of the decline seen since Saudi Arabia's announcement on July 3 of its intent to increase production, pulling WTI below \$30 per barrel for the first time in a month. Decreasing confidence in the likelihood of a near-term expansion of supply pushed prices gradually upward through most of the rest of the week. In a joint statement following their meeting, the Saudi and Venezuelan officials recognized the apparent market imbalance, but called for further consultations with other OPEC members before taking action.

Gasoline - markets rebounded following a dip after the Independence Day holiday, aided by reported isolated problems at refineries in the East and Midwest. A small, but unexpected, stockbuild for the holiday week limited price gains overall, while those in the Midwest and West Coast continued to retreat from recently high levels.

Distillate - prices posted the smallest increases for the week, as a large weekly stockbuild and announcement of a Northeast heating oil reserve dampened otherwise bearish sentiment. The IEA monthly report warned of low inventories in the United States and Europe ahead of the coming heating season.

U.S. Spot Crude Oil and Product Prices



CHRONOLOGY OF RECENT MARKET EVENTS

- 7/14 - falling** - all prices declined, with products outpacing crude oil, in profit-taking after three days of gains and ahead of the weekend. A seeming lack of progress in Saudi Arabia's attempts to deflate oil markets kept crude prices relatively firm.
- 7/13 - rising** - spot and futures prices climbed for a third day, again led by crude oil, as markets focused on apparent further delays in OPEC's consideration of a Saudi Arabian plan to increase oil production and lower prices. WTI crude prices jumped back over \$31 per barrel for the first time since the Saudi proposal was announced on July 3.
- 7/12 - rising** - prices rose across the board, with crude oil posting the strongest gains, following a meeting between the Saudi Arabian and Venezuelan oil ministers that did not yield agreement on a production increase. Late-day gains overcame early softness on crude and product stockbuilds.
- 7/11 - rising** - all prices moved higher, led by products, ahead of the weekly API and EIA supply reports. Prices fell early, but rose in late shortcovering, as the perceived likelihood of an OPEC production increase was offset by an IEA report highlighting low distillate stocks.
- 7/10 - mixed** - crude oil and distillate prices fell, while gasoline rose, in response to a mix of global and domestic factors. Indications that OPEC may agree to increase production pulled crude oil lower, while distillate reacted moderately to President Clinton's announcement establishing a heating oil reserve in the Northeast. Gasoline firmed on a rumored East Coast refinery problem.
- 7/7 - rising** - crude oil and product prices posted modest increases, ending a 3-day decline, as other OPEC members expressed doubts that Saudi Arabia would unilaterally act to raise production. Exxon Mobil's Beaumont refinery returned to normal after a week of operational disruptions.
- 7/6 - falling** - gasoline led prices lower for a third day, as Saudi Arabia reaffirmed its readiness to raise production, with or without cooperation from other producers. An unexpected U.S. stockbuild for the previous week contributed to gasoline price weakening.
- 7/5 - falling** - spot and futures prices fell sharply, led by gasoline, following Monday's announcement by Saudi Arabia that it would increase crude oil production by up to 500,000 barrels per day in order to return prices to desired levels. A major Gulf Coast refinery was reported having problems, while Sunoco's Point Breeze (Pennsylvania) refinery was reported near returning to normal.
- 6/30 - falling** - all prices ended lower in late profit-taking, ahead of both the extended holiday weekend and expiration of the July NYMEX product contracts at the close. Hints from Saudi Arabia about the possibility of further output increases were also bearish.
- 6/29 - rising** - prices rose solidly marketwide, led by sharp gains in distillates following Congressional testimony on concerns for the coming winter. Crude oil prices rose with products, despite announcement of a 100,000-barrel-per-day increase in Norwegian production.